

Message Text

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ACTION EB-07

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC 5888

INFO AMCONSUL DURBAN

AMEMBASSY SANTO DOMINGO

AMEMBASSY LIMA

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E.O. 11652: N/A

TAGS: ETRD, EAGR

SUBJ: SUGAR - PRESIDENTIAL DECISION ON IMPORT POLICY

1. QUOTED BELOW IS A REACTION ROUND UP TO U.S. TRIPLING OF SUGAR IMPORT DUTIES WHICH APPEARED IN THE SEPTEMBER 23 EDITION OF THE FINANCIAL TIMES. THE SORT OF PRICE REACTION ON THE LONDON TERMINAL MARKET ALLUDED TO IN THE ITEM APPEARS TO BE A NERVOUS RESPONSE TO THE NEWS RATHER THAN AN INDICATION OF A FUNDAMENTAL MARKET ADJUSTMENT.

2. TEXT FOLLOWS:

QUOTE: THE TREBLING OF THE U.S. SUGAR IMPORT DUTY TO 1.875 CENTS A POUND BROUGHT VARYING REACTIONS FROM SUGAR PRODUCING NATIONS AND LED TO A SHARP FALL IN WORLD PRICES YESTERDAY.

3. THE MOVE, WHICH PRESIDENT FORD SAID WAS "A FIRST TEMPORARY STEP" TO AID DOMESTIC PRODUCERS WHOSE PRICES HAVE FALLEN BELOW PRODUCTION COSTS WAS MOST SHARPLY CRITICISED BY SOUTH AFRICA, WHICH HAS THREATENED HALTING SHIPMENTS TO THE U.S., IF THE DUTY CANNOT BE

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RECOVERED, REPORTS OUR JOHANNESBURG CORRESPONDENT.

4. THE THREAT CAME FROM THE EXPORT MANAGER OF THE SOUTH AFRICAN SUGAR ASSOCIATION, MR. NORMAN CLUTTERBUCK, WHO SAID HE DID NOT FORESEE ANY DIFFICULTY IN PLACING THE SUGAR ELSEWHERE IF THE RIGHT PRICE IS NOT OBTAINED FROM THE U.S. HE ADDED T/HAT THE INDUSTRY WOULD LOSE R4UU,UUU ON AN 18,000 TON CARGO NOW AT SEA BOUND FOR THE U.S.

5. AT PRESENT, THE SOUTH AFRICAN INDUSTRY SUPPLIES ABOUT 120,UUU TONS OF SUGAR A YEAR TO THE U.S. OUT OF TOTAL EXPORTS AMOUNTING LAST YEAR TO 686,000 TONS. SO FAR THIS SEASON, THE U.S. HAS TAKEN 62,000 TONS OF SOUTH AFRICAN SUGAR.

6. SOUTH AFRICA CURRENTLY EXPORTS 560,000 TONS OF SUGAR TO JAPAN AND CANADA UNDER LONGSTANDING ARRANGEMENTS.

7. AMONG THE OTHER MAJOR SUFFERERS FROM THE U.S. MOVE WILL BE THE LATIN AMERICAN EXPORTING COUNTRIES FOR WHOM THE U.S. IS A MAJOR MARKET. ONE LIMA TRADER SAID YESTERDAY THAT THE MEASURE SEEMED TOTALLY NEGATIVE. HE ADDED THAT ALMOST ALL PERU'S ESTIMATED 370,000 TONNE 1976 CROP HAD BEEN EXPECTED TO GO TO THE U.S.

8. THIS WAS THE CASE YESTERDAY WITH THE DECEMBER POSITION ON THE LONDON TERMINALIMARKET FALLING POUNDS 11.75 TO A NEW CONTRACT LOW OF POUNDS 124.125 A TON. BUT SOME LONDON TRADERS SAID THEY COULD NOT SEE WHAT DIRECT EFFECT THE RAISING OF THE DUTY WOULD HAVE ON THE WORLD SUPPLY/DEMAND SITUATION. THEY POINTED OUT THAT THERE WAS STILL A 'SCENT GAP BETWEEN U.S. PRODUCTION COST AND THE EFFECTIVE IMPORT PRICE, SO THERE IS LITTLE REASON TO EXPECT A CUT IN U.S. IMPORTS TO RESULT.

9. BUT THE MOVE HAS GIVEN NEW LIFE TO SPECULATION ON THE POSSIBILITY OF FURTHER, MORE DRAMATIC, MEASURES BEING TAKEN BY THE U.S. THERE SEEMS LITTLE LIKELIHOOD OF THE DUTY BEING RAISED SUFFICIENTLY TO CLOSE THE IMPORT/DOMESTIC COST GAP SO CLOSE TO THE PRESIDENTIAL UNCLASSIFIED

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ELECTION AS SUCH ACTION COULD COST FAR MORE CONSUMER VOTES THAN IT WOULD GAIN FROM SUGAR PRODUCERS.

LU. A MEASURE THAT COULD POSSIBLY BE TAKEN, HOWEVER, IS THE CUTTING BY PRESIDENTIAL DECREE OF THE TOTAL IMPORT QUOTA (SET NOMINALLY AT 7M. TONS) TO 4M. TONS. WHICH COULD REDUCE ACTUAL IMPORTS BY UP TO 500,000 TONS. THE RESULTING QUOTA WOULD HAVE TO BE SHARED OUT ON A

FIRST-COME-FIRST-SERVED BASIS. UNQUOTE.

ARMSTRONG

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